

Fiscal Services Division

Legislative Services Agency

Fiscal Note

HF 125 - Child Care Subsidy Reimbursement (LSB 1159 YH)
Analyst: Lisa Burk (Phone: (515) 281-7942) (lisa.burk@legis.state.ia.us)
Fiscal Note Version – New
Requested by Representative Janet Petersen

Description

House File 125 permits a provider under the Child Care Assistance Program to choose to bill the DHS on either a bi-weekly or monthly basis. The Bill also requires the Department of Human Services (DHS) to ensure child care providers receive payment within 10 business days of submitting an invoice for providing child care.

Background

The current system for processing payments under the Child Care Assistance Program involves providers submitting paper invoices on a monthly basis and receiving payment, in most cases, within 30 days after submission. Five business days must be allowed for processing payment through the I/3 System and for mailing days.

The DHS is in the process of establishing and implementing an automated computer system that will support electronic invoicing and payment. The rollout of the system is expected to begin with a two-month pilot project in Pottawattamie and Mills Counties in February 2008. Fifteen to thirty counties will be added in April 2008, with the goal of statewide implementation by the end of FY 2008.

On average, 9,500 invoices are processed each month. The DHS estimates that 50.0% of the invoices submitted each month are completed correctly and paid within 10 days. The remaining 50.0% have errors and must be returned to the provider for correction and signature. The DHS estimates that an average of 20 minutes is spent on processing and resolving issues for each incorrect invoice.

The payment process is not centralized in the Hoover Building in Des Moines, but is handled by each service area. In the eight service areas, the process is centralized in half and decentralized in the others. For example, the Polk County Service Area includes 14 counties and invoices are processed in one location; however, the Scott County Service Area includes seven counties, but the process is decentralized and handled in each county.

Statewide, the number of FTE positions utilized for processing payments is unknown due to this decentralization and because the Income Maintenance Workers that do the processing split time with other duties. The Polk County Service Area processes an estimated 5,500 (60.0%) of the total invoices each month, which involves seven Income Maintenance Workers, two clerical staff, and one supervisor that spend an estimated 25.0% of their time each month on duties associated with processing these invoices.

Assumptions

- The majority of child care providers will choose to bill the DHS on a bi-weekly basis, which will increase the amount of invoices processed each month by 100.0%, and will require additional staff for the increased workload.
- An additional 9.0 FTE positions for Income Maintenance Workers will be needed at an annual cost of \$61,000 each for a total of \$549,000. Of this, \$307,000 will be State funds

and \$242,000 will be federal funds. This will include an additional 2.0 FTE positions for the Polk County Service Area where the majority of processing occurs, and an additional 1.0 FTE position for each of the other seven service areas.

- The annual postage cost for mailing provider statements and payments will double by 19,000 each month at 0.36 each for an increased annual cost of \$82,000. Of this, \$51,000 will be State funds.

Fiscal Impact

The estimated State cost of HF 125 is an increase in General Fund expenditures of \$358,000 and 9.0 FTE positions for the DHS in FY 2008. The cost may be reduced if temporary employees are utilized until the automated computer system is fully implemented; however, the cost for this is unknown. Any cost may be eliminated in subsequent fiscal years after the automated computer system is fully implemented.

Sources

Department of Human Services
Legislative Services Agency, Fiscal Division

/s/ Holly M. Lyons

February 27, 2007

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
